



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

*Mike Dunleavy, Governor*  
*Julie Anderson, Commissioner*  
*Robert M. Pickett, Chairman*

**Regulatory Commission of Alaska**

April 21, 2021

In reply refer to: Tariff Section  
File: TA324-4  
LO#: L2100142

Daniel M. Dieckgraeff  
Director of Rates and Regulatory Affairs  
ENSTAR Natural Gas Company  
P.O. Box 190288  
Anchorage, AK 99519-0288

Dear Mr. Dieckgraeff:

ENSTAR Natural Gas Company (ENSTAR) filed TA324-4 on February 23, 2021, seeking approval of a Gas Sale and Purchase Agreement between Alaska Pipeline Company<sup>1</sup> and Vision Resources, LLC (Vision Resources GSA). ENSTAR also requested approval of the Vision Resources GSA as a base supply gas supply agreement for firm natural gas deliveries beginning May 11, 2021, and the inclusion of all costs related to the Vision Resources GSA as an approved cost element in the Gas Cost Adjustment (GCA). ENSTAR filed revised Tariff Sheet Nos. 89 and 221 and requested an effective date of April 30, 2021.<sup>2</sup>

Gardes Holding, Inc. (Gardes) is the owner of Vision Resources, LLC. The recitals in the Vision Resources GSA state that Vision Resources, LLC owns, controls, or has the rights to dispose of certain volumes of natural gas produced from lands located in the Cook Inlet region of Alaska.<sup>3</sup>

Documents on the Department of Natural Resources- Division of Oil and Gas (DNR-DOG) website provide that DNR-DOG received written notification on November 25, 2020, from CIE resigning as operator of the North Fork Unit (NFU) and appointing Gardes as successor operator, pending the Division Directors approval. DNR-DOG also received a Lease Assignment Application from Gardes for the State oil and gas leases associated with NFU on December 15, 2020. All of these documents are currently under review with the DNR-DOG and will be addressed in separate decisions.<sup>4</sup> In addition, CIE is in the

<sup>1</sup> The Commission has historically regulated ALPC and ENSTAR as a single entity.

<sup>2</sup> ENSTAR requested the effective date be at the end of the standard notice and review period, which was initially April 9, 2021 and was extended to April 30, 2021.

<sup>3</sup> Vision Resources GSA at page 1 of 25.

<sup>4</sup> [https://dog.dnr.alaska.gov/Document/F37F455044A7482FB368A38B63DF1EF/2-25-2021\\_56th\\_North\\_Fork\\_Plan\\_of\\_Development\\_-\\_2021\\_-\\_Approved?](https://dog.dnr.alaska.gov/Document/F37F455044A7482FB368A38B63DF1EF/2-25-2021_56th_North_Fork_Plan_of_Development_-_2021_-_Approved?)

process of transferring ownership of the North Fork Unit to Gardes Holdings, Inc. and this process is still under review and awaiting final approval from the Division of Oil and Gas.<sup>5</sup>

ENSTAR asserts Gardes acquired from Glacier Oil & Gas Corp and Anchor Point Energy, LLC all production, leases, properties, resources, producing interests, assets, surface interests and facilities of the North Fork Unit.<sup>6</sup> ENSTAR further asserts “The Assignment, Conveyance and Bill of Sale dated November 2, 2020 gives Gardes Holdings, Inc. all of Cook Inlet Energy, LLC’s “rights, title and interest in the field”. In ENSTAR’s experience, it is not unusual for a successor company to operate using the rights under such an agreement prior to formal accepted transfer of leases and rights-of-way by the Alaska Department of Natural Resources.”<sup>7</sup>

Anchor Point Energy, LLC (APE) is the holder of Certificate of Public Convenience and Necessity (CPCN) No. 734. The Commission issued APE CPCN No. 734 under AS 42.06 to build and operate a common carrier pipeline, the North Fork Pipeline, on the Kenai Peninsula, extending from the North Fork Unit to the southern terminus of ENSTAR’s Anchor Point Pipeline.<sup>8</sup> APE owns and operates the North Fork Pipeline and Cook Inlet Energy, LLC (CIE) is 100% owner of APE.<sup>9</sup> On April 1, 2021, CIE and Gardes filed a joint application to transfer controlling interest of Certificate No. 734 from CIE to Gardes.<sup>10</sup>

It is the Commission’s duty to ensure that gas supply contracts are in the public interest and protect consumers from excessive costs. This requires a known, reliable, and deliverable supply of gas.

ENSTAR asserts the Vision Resources GSA meets the public interest standards articulated by the Alaska Legislature in AS 42.05.141(d) which states: When considering whether the approval of a rate or a gas supply contract proposed by a utility to provide a reliable supply of gas for a reasonable price is in the public interest, the commission shall (1) recognize the public benefits of allowing a utility to negotiate different pricing mechanisms with different gas suppliers and to maintain a diversified portfolio of gas supply contracts to protect customers from the risks of inadequate supply or excessive cost that may arise from a single pricing mechanism; and (2) consider whether a utility could meet its responsibility to the public in a timely manner and without undue risk to the public if the commission fails to approve a rate or a gas supply contract proposed by the utility.

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<sup>5</sup> [https://dog.dnr.alaska.gov/Document/0115D7671BDC4A4284DE5FB7D6CC2B8/2-26-2021\\_Northfork\\_Contraction\\_Delay\\_-\\_2021?](https://dog.dnr.alaska.gov/Document/0115D7671BDC4A4284DE5FB7D6CC2B8/2-26-2021_Northfork_Contraction_Delay_-_2021?)

<sup>6</sup> TA Letter at page 2.

<sup>7</sup> Supplemental Filing, Re: Response to Staff’s Questions-Gardes Holding Acquisition.

<sup>8</sup> Order P-10-018(3), Order Granting, Subject to Condition, Certificate of Public Convenience and Necessity Effective March 16, 2011; Granting Temporary Certificate; Designating Tariff Filed with Application as Initial Tariff; Establishing Temporary Tariff, and Requiring Filings, dated March 2, 2011.

<sup>9</sup> Docket P-14-008: In the Matter of the Joint Application for Transfer of Controlling Interest in Certificate of Public Convenience and Necessity No. 734 from the Present Owners of ANCHOR POINT ENERGY, LLC to Cook Inlet Energy, LLC.

<sup>10</sup> Docket P-21-006, Joint Application of Present Owner of Anchor Point Energy, LLC and Gardes Holdings, LLC for Approval of the Transfer of a Controlling Interest in Anchor Point Energy, LLC.

In support of the Vision Resources GSA, ENSTAR stated that the Vision Resources GSA is in the public interest for the following reasons: (1) allow ENSTAR to purchase a reliable supply of gas; (2) ensure ENSTAR's customers pay a reasonable price for gas; (3) promote a diversified supply portfolio; and (4) allow ENSTAR to meet its responsibility to the public in a timely manner.

The Commission finds the Vision Resources GSA is consistent with the first and second prong of the statutory directive. ENSTAR has negotiated a pricing mechanism that is below its current average cost of system base gas supply of \$7.8637 per Mcf, the current average cost of system gas supply of \$8.2562 per Mcf, and the weighted average unit cost of gas of \$8.3234 per Mcf.<sup>11</sup> In addition, although ENSTAR has been purchasing the majority of its gas supply from Hilcorp Alaska, LLC, when opportunity arises, ENSTAR enters into both base gas supply contracts and short-term gas supply contracts with other producers to diversify its portfolio. The Vision Resources GSA satisfies all or a portion of ENSTAR's gas needs from 2021 through 2026, and therefore the Vision Resources GSA assists ENSTAR in meeting customer needs in a timely manner.

Although the Commission finds the Vision Resources GSA is consistent with the first and second prong of the statutory directive, without DNR-DOG approval of the State oil and gas leases from CIE to Gardes, the Commission does not find that ENSTAR has yet secured a reliable source of gas supply. Despite contractual recitals to the contrary, neither Gardes nor Vision Resources have a legal right to produce and sell the gas described in the Vision Resources GSA until DNR-DOG approves the lease transfers.

Therefore, conditioned upon DNR -DOG approval of the transfer of the State oil and gas leases associated with the NFU from CIE to Gardes (the Condition), the Commission:

- Approves the proposed Gas Sale and Purchase Agreement between Alaska Pipeline Company and Vision Resources, LLC, filed in TA324-4 on February 23, 2021. The validated contract will be returned under separate cover upon receipt of notification from ENSTAR that the condition has been met.
- Allows the inclusion of costs associated with the Vision Resources Gas Sale and Purchase Agreement as an approved cost element in the Gas Cost Adjustment.
- Approves Tariff Sheet Nos. 89 and 221, filed in TA324-4 on February 23, 2021, effective the date the Condition has been met. The validated tariff sheets will be returned under separate cover upon receipt of notification from ENSTAR that the condition has been met.
- Based on the guidance provided in AS 42.05.141(d), finds that the public interest is served by approving the Gas Sale and Purchase Agreement between Alaska

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<sup>11</sup> See ENSTAR's current approved Tariff Sheet No. 221 filed with TA319-4 and approved with L2000243.

Pipeline Company and Vision Resources, LLC, filed in TA324-4 on February 23, 2021.

- Requires ENSTAR to notify the Commission when the Condition has been met.

BY DIRECTION OF THE COMMISSION

Sincerely,

REGULATORY COMMISSION OF ALASKA

A handwritten signature in blue ink, reading "Robert M. Pickett". The signature is fluid and cursive, with the first name "Robert" and last name "Pickett" being more prominent than the middle initial "M".

Robert M. Pickett  
Chairman